



P E N N S Y L V A N I A
EARLY STAGE PARTNERS
A Safeguard Scientifics Fund

George Mason University's Institute for Public Policy Workshop

Performance Metrics for R & D Organizations
Session IV: Directions in the Private Sector

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PA Early Stage Partners Fund Strategy and Investing Guidelines

Basic Strategy:

There are attractive venture capital investment opportunities in start-up and early stage companies in Pennsylvania which are currently being lost without a substantial, professional source of venture capital located in the Commonwealth. Pennsylvania Early Stage Partners (PA-ESP) was announced in January, 1998 by Governor Tom Ridge as a collaboration between Safeguard Scientifics, the \$44 billion Public School Employees Retirement System (PSERS) and the Team Pennsylvania Foundation (Commonwealth of Pennsylvania) to address this need.

Investment Guidelines and Strategies:

1. Start-up, early stage and catalyst stage companies with special opportunities for exponential growth, located primarily in Pennsylvania (80% or more of deals).
2. Strong emphasis on technologies identified in the Commonwealth's Technology 21 Report.
3. Select portfolio companies with the following:
 - High potential for rapid growth with promising gross margins
 - Compelling value proposition
 - Strong business plans showing potential to be a market leader or to create a new industry
 - Leverage new technology and/or productivity enhancements
 - Solid management teams
 - High potential for a Safeguard rights offering, IPO or acquisition
4. Most investments per company will be in the range of \$250K to \$2.0M (Note: this assumes 100% reserve for follow-on investments after first round of investing).
5. Leverage Safeguard's deal flow, professional services, expertise, deal champions, spin-off expertise, positioning strategies and other resources.
6. Leverage investment opportunities and spin-offs coming from Safeguard companies, angel networks, research centers, Fortune 100s, universities, Ben Franklin Centers, Technology Councils, Small Business Development Centers, etc.
7. Build close working relationships with banks, law firms, accounting firms, consultants and other professional service providers.
8. Make sound investments while linking PA-ESP to the Commonwealth's interests and strategies:
 - Increasing flow of investments in seed/early stage companies
 - Support of entrepreneurs and angel investor networks
 - Regional distribution of investments
 - Coverage of six technologies identified in Technology 21 Report

PA Early Stage Partners Fund Information

Fund Inception Date: October, 1997

Fund Announcement Date: January, 1998

Fund Commitments

Safeguard Scientifics, Inc.	\$10,000,000
Team Pennsylvania Foundation	\$10,000,000
Pennsylvania State Employees Retirement System	<u>\$30,000,000</u>
TOTAL	\$50,000,000

Portfolio Activity as of 3/2/98:

Number of investments	14
Investment commitment total	\$16,400,000

Fund Staff:

Michael G. Bolton - Managing Director
 Stephen L. Amsterdam - Principal
 Rob M. McCord - Principal
 Leslee G. Petrondi - Office Administrator
 Kevin Flanagan - CEO in Residence
 Dean Miller - Wharton Intern (part-time)
 Scott Nissenbaum - Analyst
 Jenay Ryan - Assistant

Portfolio Companies:

AANetcom, Inc. Argus Networks Arista Knowledge Systems Destiny Software Electric Schoolhouse eVend.net Interactive Commerce Group Maxwell Systems, Inc. PhotoTronics Corp. PRWT ComServ, Inc. QuestOne Decision Sciences STORM Systems, LLC STC Technologies, Inc. Vcall	www.aanetcom.com www.argusnetworks.com www.aristasys.com www.destinysoftware.com www.electricschoolhouse.com www.intermerce.com www.maxwellsystems.com www.questone.com www.stormsystems.com www.stctech.com www.vcall.com	Kal Shastri Dave Jannetta Sam Poole Lucinda Duncalfe Tom Schoemaker David Goodman Vince Schiavone Bill Maxwell Jim Ionson Ray Saulino Keith Krenz Sam Leinhardt Mike Gausling David Bauman
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